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CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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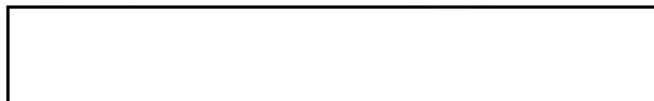
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GENERAL

25X1A 1. Attitudes of NATO members toward a Council meeting in September:

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Discussion in the NATO Deputies' meetings of the proposal to hold a Council meeting in Ottawa on 15 September has revealed considerable anxiety over recent disagreements among NATO members. The US, with some support from France, maintains that the date should be tentative until it becomes clear that definitive action is possible on major questions such as the proposed European Defense Forces, agreements with Germany, burden-sharing on bases, and the admission of Greece and Turkey to NATO.

The UK, Canada and Belgium argue, however, that an early Council meeting is highly desirable for an exchange of views even if major issues are not resolved. The UK feels that the question of the admission of Greece and Turkey cannot be further resolved by the Deputies, and proposes soon to introduce a plan that may facilitate agreement on sharing the costs of NATO bases.

25X1A 2. German contribution to European army believed acceptable to British:

[REDACTED]

The UK Government may now be ready to accept the idea of a German contribution to a European army, according to an analysis of the British attitude by US Embassy London. The government would accept the European army concept provided it is an integral part of NATO from the outset and does not retard the building up of general NATO forces; and provided General Eisenhower considers this the best means of utilizing German contingents.

"Conditioned acceptance" has gradually overtaken original British hostility to the European Army, because the UK now believes that the US supports the idea and because it now realizes that UK and US troops would be separate.

The Embassy warns, however, that the gain could be lost if the impression arises in the UK that the US is proceeding

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without properly consulting the British. It urges specifically that a forthcoming UK Cabinet decision on the German contribution to Western defense would be greatly facilitated by advance information on the US attitude.

FAR EAST

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3. Harassment of French officials in Shanghai:

French Consul General Royere and his Vice-Consul in Shanghai were "subjected to indignities" in June at the hands of dissident Annamese, according to the French Consul in Hong Kong.

The Annamese, former employees in the French concession who had rejected repatriation offers and were vexed by Royere's refusal to continue unwarranted relief payments, invaded the Consulate General and threatened to strangle Royere and the Vice-Consul; the Chinese Communist police stood outside the building and did not intervene. The mob took the French officials to a police station, where Royere was threatened with deportation and was compelled to meet the Annamese demands.

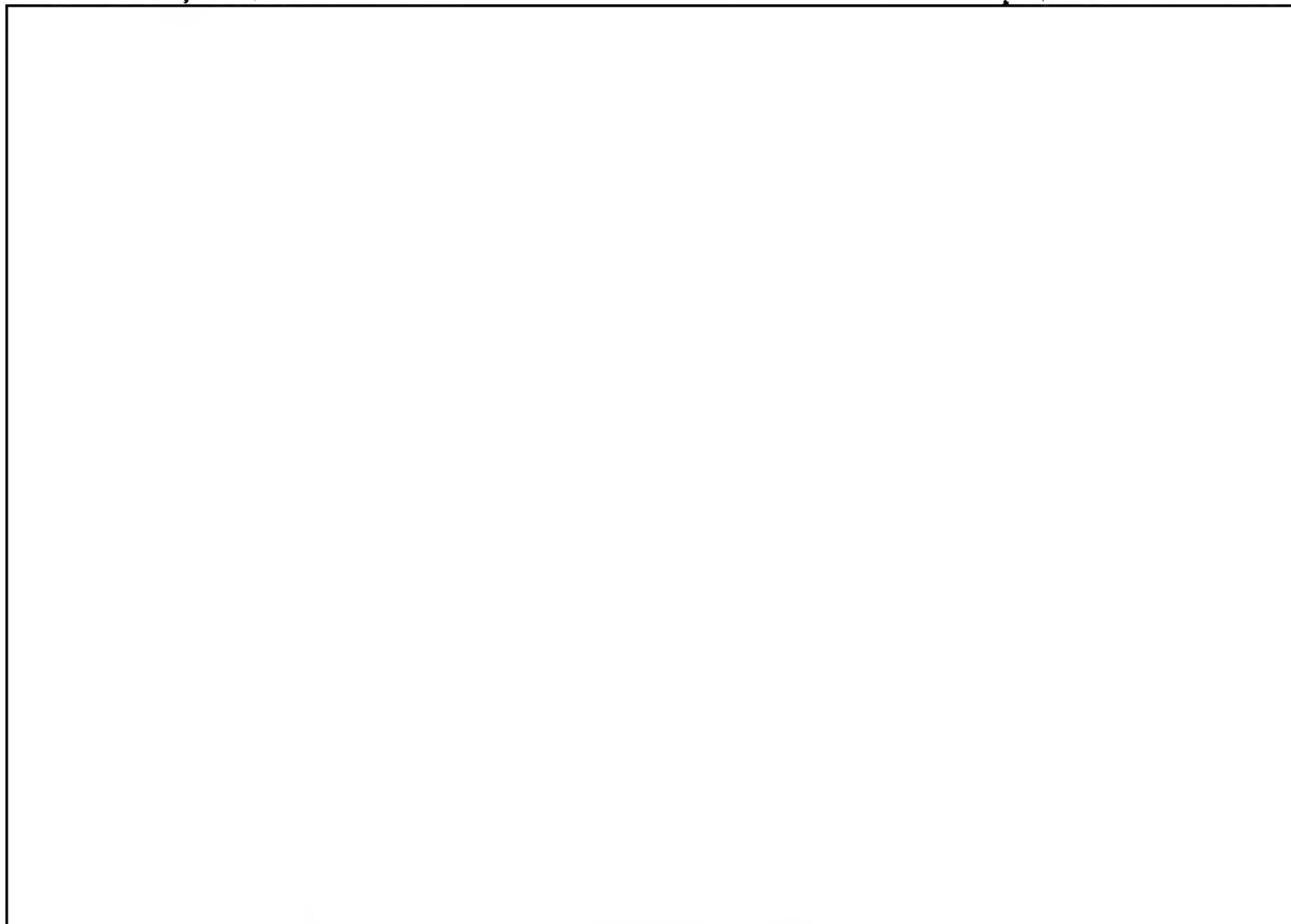
The French Consul in Hong Kong comments that the Chinese Communists apparently were aware of confidential instructions from the French Foreign Office to Royere that he and his subordinates are to remain in China "at all costs."

Comment: France has not recognized the Peiping regime, and the position of its representatives in Communist China is precarious. Representatives in China of other non-recognizing governments, notably the US before its officials were withdrawn, have also been subjected to indignities. Although continued Chinese Communist pressure upon such representatives would ordinarily be expected, there have been no reports of such persecution since mid-June, and in recent days there have been fragmentary indications that Peiping is considering the adoption of a superficially conciliatory line toward the West.

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WESTERN EUROPE

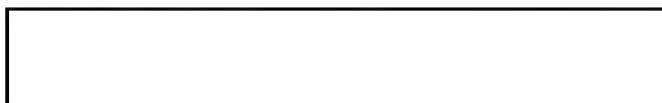
25X1A 5. Italians balk at embargo on ball bearings for Satellites:



At this week's meetings of the Coordinating Committee's control group, Italy will indicate willingness to accept an embargo on all the 53 items proposed by the US for embargo to the Orbit nations and to Communist China.

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Italy will refuse, however, to embargo ball bearings, if the UK and France, which have accepted 33 items, including ball bearings, reject the remaining twenty. The Italian Foreign Office is convinced that the British and French are making a large number of exceptions on the basis of trade needs, and that therefore Italy could hardly justify acceptance of an embargo on ball bearings, which are of key importance in assisting Italy to obtain necessary imports from the East.

Comment: The UK, France and Italy are reluctant to accept all US export control recommendations, principally because of Western Europe's serious coal shortage. In order to obtain Polish coal, the UK is anxious to continue exports of mining machinery, while France has agreed tentatively to include ball bearings in exports to Poland under a new trade agreement.

Although the Italian Government probably will abide by its pledge to cooperate in preventing the export of ball bearings to the Satellites, considerable illegal traffic in this item through Trieste and Austria will continue.

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